

San Gabriel Valley Mosquito & Vector Control District
1145 N. Azusa Canyon Road
West Covina, California 91790

Board of Trustees Meeting

February 13, 2009

Minutes

Trustees Attending

- 1 Stephen Sham (Alhambra)
- 2 Roger Chandler (Arcadia)
- 3 Joseph Rocha (Azusa)
- 4 Rick Barakat (Bradbury)
- 5 Linda Elderkin (Claremont)
- 6 Henry Morgan (Covina)
- 7 Margaret Finlay (Duarte)
- 8 Ernest Gutierrez (El Monte)
- 9 Charles Myers (Glendora)
- 10 Jeff Parriott (Industry)
- 11 Dan Holloway (La Puente)
- 12 Robert Neher (La Verne)
- 13 Frank Hall (Co. of Los Angeles)
- 14 Dan Kirby (Monrovia)
- 15 Dave Barron (Monterey Park)
- 16 Elliott Rothman (Pomona)
- 17 Robert Bruesch (Rosemead)
- 18 Jeffrey Templeman (San Dimas)
- 19 Albert Huang (San Gabriel)
- 20 Janice Nelson (Sierra Madre)
- 21 Kenneth G. Gillanders (Temple City)
- 22 Steve Herfert (West Covina)

Trustees Absent

- 1 Manual Garcia (Irwindale)
- 2 Mary Su (Walnut)

Staff Attending

Steve West
Kenn Fujioka
Mel Cook
Kelly Middleton
Rose Alba
Esther Elliott
Carol Anne Hagele
Ramona Deacon

Guest

Michael Harrison, Certified Public Account,
of Mayer Hoffman McCann P.C.

1. Call to Order

The meeting was called to order by President Chandler at 7:02 AM.

2. Pledge of Allegiance and Silent Roll Call

The Pledge of Allegiance was led by President Chandler.

President Chandler welcomed Trustee Steve Herfert's return as the representative for the City of West Covina.

3. Opportunity for Public Comment on Non-Agenda Items

None

4. Consent Calendar

- A.** List of Claims for January 2009
- B.** Budget Status Report for January, 2009
- C.** Minutes of Board of Trustees Meeting January, 2009
- D.** Surveillance and Vector Report
- E.** Abatement Report
- F.** Education Program

A motion to by Trustee Morgan to approve the Consent Calendar as presented was seconded and unanimously approved.

5. December 2008 Monthly Treasurer Report / District Working Balance for February 2009

A motion by Trustee Neher to approve the Monthly Treasurer's Report and the District Working Balance Report as presented was seconded and unanimously approved.

6. Consider the Finance Committee's Recommendation to Approve the FY 2007-2008 Independent Audit by Michael Harrison, CPA, Mayer Hoffman McCann P.C.

District Manager Steve West introduced Independent Auditor Michael Harrison, CPA of Mayer Hoffman McCann P.C.

The staff report posed two questions: 1) Are District funds properly managed; and, 2) Has proper security been provided to protect funds from imprudent actions. The District Manager indicated the Finance Committee, which accepted positively the two issues, has reviewed the Auditor's Report and recommended the Board approve it. The alternative for the Committee was to continue the matter. The fiscal impact of the recommendations provided by the Auditor would have a relatively modest impact on the District.

The Audit required the District Manager to prepare a Management Discussion and Analysis report which was included in the audit. It reflects a net asset increase of 10% (+ \$205,210) between the FY 2007 and the FY 2008 audits, and the District's Fund Balance changed by + \$235, 599 to \$2,555,250.

The District Manager indicated the Auditor did raise a continuing procedural a question to which staff has previously responded. The Auditor or recommends that the District adopt an accrual accounting system. We currently operate on a cash basis. Although staff understands the Auditor's point, the Finance Committee last year agreed with staff to maintain the current cash procedure. Trustee Sham, as a business owner, was persuasive of the Committee that a \$2,000,000 enterprise does not justify accrual accounting.

Another continuing matter indicated by the Auditor is the need for supplemental monthly accounting reports to the Board as part of the Budget Status documentation. The Auditor can not prepare these documents based on GASB regulations. Staff has attempted to

create these reports in the past year but has proceeded to employ a supplemental auditor to assist us with this issue.

Concluding his recommendations, Mr. Harrison recommended a reduction of the four checking accounts the District maintains to one account. Staff concurs that one account will be closed, but believes the three other accounts are prudent to continue. Each of these is for a specific purpose. Staff is better able to meet current accounting needs, security is maintained with two-signature checks, and two of these three accounts are funds we are holding for special purposes.

Mr. Harrison continued with his explanation of audit findings as follows:

- 1) The District showed sound fiscal responsibility.
- 2) Auditors rendered an unqualified opinion on the financial statements of the District in the INDEPENDENT AUDITOR'S REPORT provided in the bound packet.
- 3) There were no unusual risks in the District's cash and investments funds.
- 4) Prior to this meeting Mr. Harrison met with the Finance Committee to discuss the year end results in detail.
- 5) *Communication With Those in Government* requires independent auditors to communicate to government employees who sit on other Boards ten things covered by this new 2008 Statement on Auditing Standard No. 114.
- 6) Auditors look for control deficiencies, significant deficiencies and material weakness in their audit. The two significant audit findings mentioned by the District Manager are detailed in the audit letter and were not considered to be material weaknesses.
- 7) Auditors are obligated to report to you the qualitative aspect of accounting practices. There are no significant transactions that have been recognized in the financial statements that are in different periods than when the transaction occurred. There were no new policies adopted this year.
- 8) There were no significant difficulties working with management or completing the audit.
- 9) There were adjustments included in the accrual of assessment revenues and receivables, expenditures in accounts payable, as well as adjustment for the District's investments. There were seven or eight adjusting entries as part of the closing process.
- 10) We have received management representations from the District telling us that in a written letter that we had satisfactory total assets. This relieves us of any responsibilities and corroborates what we do.
- 11) To their knowledge there were no consultations with other outside accountants on procedures.
- 12) There were no other official findings or issues. A point of information was the post employment retirement benefits effective for the District for the year June 30, 2010. The District is required by its prior Resolution to pay post employment health benefits for the employee only. There is a government account standard for that, and the Auditor is applying that cost to several of its other municipal clients.

Trustee Barron asked the Auditor if there is a requisite number of accounts.

Mike Harrison replied, as the basis for his recommendation, that the risk of fraud may be increased.

Trustee Bruesch commented that if you receive a grant you should not deposit your money into the same account because you are likely obligated by the grant parameters to spend the money for only that project. It seems there would be more of a chance to defraud if accounts are combined. Mr. Harrison reiterated his recommendation to reduce the number of accounts.

Trustee Elderkin asked if the District plans to hire a Certified Public Account on an ongoing basis.

The District Manager explained that a CPA has been hired only to help coordinate the preparation of the financial reports the Auditor recommends. The District plans to use existing software but will explore other software available for the purpose. Various Trustees commented on the issue of the District's software and the Auditor's request.

President Chandler stated he understands the concern and asked staff to collect information for the Finance Committee to review and to decide whether or not the District should make a transition from the District's existing financial software program.

Trustee Barron questioned who the signers are for the checking accounts to which the District Manager stated that the District's checking accounts all require two signatures.

In the context of this discussion, several Board members requested appointment to various committees.

President Chandler stated that the Board will address membership in the Committees in the next few Board meetings.

A motion by Trustee Gutierrez to approve the FY 2007-2008 Independent Audit as presented by Michael Harrison, CPA, Mayer Hoffman McCann P.C. was seconded and unanimously approved.

7. National Pollutant Discharge Elimination System (NPDES) Update

The Board was asked to endorse staff's recommendation to file for a General Permit from the Los Angeles Regional Water Quality Control Board to apply pesticides to waters of the United States under the National Pollutant Discharge Elimination System (NPDES).

In mid-January the Sixth Circuit Court of Appeals struck down the EPA regulation that exempted aquatic pesticides from a NPDES permit. The successive legal and administrative actions may affect this District in the context of the pesticides we use most frequently.

Two general NPDES permits adopted in 2004 by the State Water Resources Control Board under which the District operates expire on May 20, 2009. A request to extend the

permit has been made. A General permit from the Los Angeles Regional Water Quality Control Board may provide the District some protection if a law suit is filed against us by an environmental group.

Trustee Myers asked what other California districts are doing. Steve informed the Board that all Districts are thinking about applying for the NEDES permit.

Trustee Barron asked if the magnitude of this issue compared to other Regional Water Quality Control Board (RWQCB) affairs. The District Manager supposed not and the permit principally involves development of a monitoring plan. Other issues could be raised by staff of the L. A. County Regional Water Quality Control or the actual Board review of the permit.

Trustee Templeman recommended using consultants to help deal with the RWQCB and the application process.

Trustee Neher asked about the specificity of tests that identify the bacteria we use as larvicides. The District Manager said the permit lists specific pesticides but the monitoring requirement is problematic because of the small quantity of pesticides we use.

Assistant Manger Kenn Fujioka stated that this permit is for introducing larvicides into the water of the United States; it does not address the adulticides. He mentioned that we do not use chitinase inhibitors because they are indiscriminate, and that we use Golden Bear III, a refined petroleum, that is highly volatile and evaporates within 48 hours.

Trustee Myers stated that one of his concerns is the monitoring requirement.

Assistant Manager Kenn Fujioka answered that the Districts that filed permits in 2004 used the basic reporting system as their monitor.

A motion by Trustee Gutierrez to endorse the District staff's recommendation to file for a General Permit from the Los Angeles Regional Water Quality Control Board was seconded and unanimously approved.

8. District Administration

A. MVCAC Legislative Day March 3, 2009

District Manager Steve West asked if there were Trustees interested in participating in the MVCAC Legislative Day on March 3, 2009 in Sacramento.

B. Status of "RFP" letter regarding Independent Auditor

District Manager Steve West reported that the Independent Auditor "*Request For Proposal*" letter went out to five companies in January and is due on February 23, 2009. Auditors who were sent the RFP are currently employed by other vector control districts.

C. Status of Baldwin Park "RFP" Process

Four companies have expressed interest in providing engineering services to the

District. He added that the engineering company used in the past by the City of Pomona used was not one of the four.

D. April Board of Trustees Meeting Date

The Board decided not to change the date for the April Board of Trustees meeting.

E. Statement of Economic Interest 2008/2009 Form 700

Trustees were provided with the 2008 – 2009 Statement of Economic Interest Form 700 Packet. All forms must be filled out and returned to the District by March 25, 2009.

F. The Board of Trustees' Email Addresses

District Manager Steve West informed the Board that he has received a request from the Mosquito & Vector Control Association of California for the District's Board of Trustee members' email addresses. Electronic communication is guessed to be surveys and legislative matters.

The Board determined to direct the District Manager to screen and forward appropriate MVCAC e-mails.

9. Disease Surveillance

Assistant Manager Kenn Fujioka reported that WNV is still quiet in our District although positive dead birds have been reported from San Diego county.

It has been warmer than normal in our District so our Operations staff has been busy killing mosquitoes earlier than usual. All foreclosed swimming pools have filled up with rain water. The District would appreciate each City's code enforcement locate and or enforce maintenance of the swimming pools.

10. Trustee Reports

Trustee Morgan attended MVCAC Annual meeting Burlingame, California and reported that the Trustee program has been enriched with talks from Legal Counsel on the importance of Trustee involvement, the impact of the Trustees as an employee of the District and their responsibility and importance of participating in Legislative Day

11. New Business

Trustee Bruesch asked if the RFP for an Independent Auditor will work on the annual audit and the accrual method of accounting to which Steve replied yes.

Trustee Finlay asked what was going to be discussed at the Personnel Committee meeting to which the District Manager responded his evaluation.

A. Board President's Designation of two Trustees to serve on the Board's Personnel Committee

President Chandler announced that all committee need six members. Trustee Parriott and Neher were asked if they would be interested in the Personnel Committee, to

which they agreed.

Trustee Finlay asked what was going to be discussed at the Personnel Committee meeting to which the District Manager responded an evaluation of the District Manager.

President Chandler announced that at a future meeting the Board will discuss other Committee membership.

12. Adjournment

A motion by Trustee Parriott to adjourn the meeting was seconded and unanimously approved. The meeting was adjourned at 8:07 AM.

President Chandler announced that the Personnel Committee is to meet in closed session immediately after the Board adjourns.